

**URBAN PRIVATE PARTNERSHIP REDEVELOPMENT FUND
AND THE
VIRGINIA REMOVAL OR REHABILITATION
OF DERELICT STRUCTURES FUND**

**REPORT ON AUDIT
FOR THE YEAR ENDED
JUNE 30, 2008**



AUDIT SUMMARY

Our audit of the Urban-Private Partnership Redevelopment Fund and the Virginia Removal or Rehabilitation of Derelict Structures Fund administered by the Department of Housing and Community Development for the year ended June 30, 2008, found:

- proper recording and reporting of all transactions, in all material respects, in the Commonwealth Accounting and Reporting System;
- no matters involving internal control and its operations necessary to bring to management's attention; and
- no instances of noncompliance with applicable laws and regulations or other matters that require reporting.

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FUND HIGHLIGHTS

Virginia Removal or Rehabilitation of Derelict Structures Fund

The Virginia Removal or Rehabilitation of Derelict Structures Fund provides grants to localities for the acquisition, demolition, removal, rehabilitation, or repair of derelict structures. When a locality is interested in a grant, they must complete an application describing the project, location, beneficiaries, funds needed, and amount of matching funds. The Department of Housing and Community Development (Department) must then approve the application. Upon approval, the locality must sign a contract with the Department agreeing to the stipulations made in the grant application. Payments made to the localities are on a reimbursement basis. For the locality to receive reimbursement funds, they must submit a progress summary of all project work completed to date and a summary of expenses incurred in the period of the reimbursement.

During fiscal year 2008, the Virginia Removal and Rehabilitation of Derelict Structures Fund did not receive any new appropriations. The Department requested a transfer of appropriation authority from the Water Quality Improvement Fund to the Derelict Structures Fund for \$181,113 to enable the Department to expend the cash on hand. The Department of Planning and Budgeting approved the transfer during fiscal year 2008 because both funds are from the same program. Throughout fiscal year 2008, the Department paid out \$132,360 to support the ongoing construction project for the Fries Industrial Site Redevelopment.

Fund Balance, July 1, 2007	\$181,113
Interest	3,903
Expenses	<u>(132,360)</u>
Cash at year end, June 30, 2008	<u>\$ 52,656</u>

Urban Public-Private Partnership Redevelopment Fund

The Code of Virginia authorized the creation of this fund during fiscal year 2000 to address the problem of the lack of developable land in urban areas of the Commonwealth, and the high cost of redeveloping such land. The Fund's purpose is to make grants or loans to local governments for assembling, planning, clearing, and remedying sites for promoting such sites to private developers for redevelopment.

The Department uses the money in the Fund to make grants or loans to local governments to finance the assembling, planning, clearing, and remediation of sites to promote such sites to private developers for redevelopment. No grant shall exceed \$500,000. The Department grants each award under the condition that the local government match 100 percent of the funds. However, since its creation, the General Assembly has not appropriated any funding for this program.



Commonwealth of Virginia

Walter J. Kucharski, Auditor

**Auditor of Public Accounts
P.O. Box 1295
Richmond, Virginia 23218**

April 20, 2009

The Honorable Timothy M. Kaine
Governor of Virginia
State Capital
Richmond, Virginia

The Honorable M. Kirkland Cox
Chairman, Joint Legislative Audit
and Review Commission
General Assembly Building
Richmond, Virginia

We have audited the financial records and operations of the **Urban-Private Partnership Redevelopment Fund and the Virginia Removal or Rehabilitation of Derelict Structures Fund** administered by the Department of Housing and Community Development for the year ended June 30, 2008. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Audit Objectives

Our audit's primary objectives were to evaluate the accuracy of recorded financial transactions on the Commonwealth Accounting and Reporting System, review the adequacy of the Department's internal controls and test compliance with applicable laws and regulations for the Urban-Private Partnership Redevelopment Fund and the Virginia Removal or Rehabilitation of Derelict Structures Fund administered by the Department of Housing and Community Development.

Audit Scope and Methodology

The Department's management has responsibility for establishing and maintaining internal control and complying with applicable laws and regulations. Internal control is a process designed to provide reasonable, but not absolute, assurance regarding the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

We gained an understanding of the overall internal controls, both automated and manual, sufficient to plan the audit. We considered significance and control risk in determining the nature and extent of our audit procedures. Our review encompassed controls over the following significant cycles, classes of transactions, and account balances.

Appropriations
Grant expenses

We performed audit tests to determine whether the Department's controls were adequate, had been placed in operation, and were being followed. Our audit also included tests of compliance with provisions of applicable laws and regulations. Our audit procedures included inquiries of appropriate personnel, inspection of documents, records, and contracts, and observation of the Department's operations.

Conclusions

We found that the Department properly stated, in all material respects, the amounts recorded and reported in the Commonwealth Accounting and Reporting System for the Funds. The Department records its financial transactions on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The financial information presented in this report came directly from the Commonwealth Accounting and Reporting System.

We noted no matters involving internal control and its operation that we consider necessary to be reported to management. The results of our tests of compliance with applicable laws and regulations disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Exit Conference and Report Distribution

We discussed this report with management on April 24, 2009.

This report is intended for the information and use of the Governor and General Assembly, management, and the citizens of the Commonwealth of Virginia and is a public record.

AUDITOR OF PUBLIC ACCOUNTS

DBC/clj

DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT

William C. Shelton, Director

Basil Gooden, Principal Deputy Director

BOARD OF HOUSING AND COMMUNITY DEVELOPMENT
As of June 30, 2008

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